

MAYOR JERRY SANDERS
2008 State of the City Speech
Thursday, January 10, 2008

Good evening.

Tonight, we gather in this beautifully restored Balboa Theatre. The work done on this building is a fitting metaphor for San Diego. Like this great theatre, our City had fallen into disrepair because of neglect and short-sighted decisions.

This theater was rescued from disrepair and restored to greatness because men and women came together and applied their talents to its restoration. In the coming year, we will continue doing the same thing for our City.

We've come a long way in the last two years here in San Diego, and tonight, the state of our City is this: the era of decay and neglect is at an end.

The renovation has begun.

And completion is within sight.

We still have big challenges ahead. But we know our destination and we are on our way.

Two years ago, when I took this office, the finances, the operations and the morale of our City government were broken. City Hall had lost credibility with its constituents, the citizens of our City.

It was one thing for our coffers to be empty, but it was inexcusable that the currency of truth had been devalued.

So we went to work. My priority was to reform City government so we could efficiently and effectively provide basic daily services to our citizens.

But our bigger challenge was to earn your trust once again. And tonight, I report progress – not perfection – but measurable progress. And therefore tonight, I look to the future with great hope.

Two years ago, the City had no idea how much property it owned.

TODAY, we have overhauled the Real Estate Assets Department. We know the parcels we own. And we are selling off properties that don't benefit taxpayers. That's progress.

Two years ago, the City did not know how many contracts it had.

TODAY, our contracting and purchasing functions have been re-organized into one department allowing us to keep track of our contracts and our checkbook. That's progress.

Two years ago, we didn't know how many City employees were on the payroll.

TODAY, we have an employee tracking system so we know precisely how many employees we have and who they are. We accounted for the hundreds of staff positions not previously accounted for and permanently eliminated 670 positions. That too is progress.

Two years ago, the city had no certified financial audits for three years running and no plans for how to finance badly needed infrastructure improvements.

TODAY, we have three completed audits. By next month, we anticipate having four years of clean audit opinions. Then, we expect to return to the public capital markets, so we can fix our decaying water mains. So we can repair our streets and roads. Now that's real progress.

And when this calendar year ends, our financial reporting will be back on track with completed audits for fiscal years 2007 and 2008, which will further enhance our standing in the financial markets to the benefit of taxpayers. That too is progress.

Two years ago, the federal Securities and Exchange Commission was investigating the City for securities violations and we were in the midst of the Kroll investigation into the City's financial controls.

TODAY, we have a settlement with the SEC; the Kroll investigation has been completed and the City is well on its way to implementing an entirely new set of financial controls to ensure that the problems of the past will never happen again.

That's progress.

Two years ago, the City of San Diego's voice was virtually absent from the corridors of power in Washington, D.C. and Sacramento. TODAY, that has changed.

We have successfully lobbied state and national leaders to give our region close to \$1 billion in new funds for emergency preparedness, for transportation infrastructure and for improving our environment.

I am incredibly proud of this progress and you should be too.

However, the hard truth is our job is not yet done and our path remains challenging. To reach our goal of financial stability and restored public trust, we must stay the course.

Over the next several weeks and months, I will lay out my plans to continue this agenda for change. And to those who doubt our resolve or our purpose, let me make it perfectly clear. I am committed to a path that will do no less than restore pride in City government and earn your trust once again.

We are joined this evening by a special guest. Pete Wilson has been many things: he was our governor and he proudly represented California in the U.S. Senate. But to many in this room, he will always be remembered as a mayor of this great city.

Ladies and gentlemen, please help me welcome Governor Pete Wilson.

Financial Stability

The City's financial stability is and remains my top priority. Since I took office, we have identified past fiscal failures and we are doing everything possible to make sure they can never occur again.

With the help of the City Council, we have reformed the city's finances and operations resulting in permanent savings of over \$50 million per year.

Even more savings will come as we continue to implement the voter-approved Managed Competition program. Sixteen functions are already being considered for the competition process; more will follow later this year as part of a carefully crafted process designed to protect the public interest while improving the efficiency of service delivery.

But I want to provide our citizens with even greater accountability. To do that, our City Charter will need to be changed.

I strongly support and will campaign for a ballot measure this year that will establish an independent audit committee and an internal auditor to oversee the city's financial reporting. It will also provide for a real mayoral veto, protect public safety personnel from budget cuts and give voters the final say on the strong mayor form of government. I ask for your careful consideration of this measure when it appears on the ballot.

The days when the city budget was a shell game are over. Now, for the first time, my five year outlook imposes real discipline in the budgeting process and sensibly funds long-term obligations.

An unprecedented \$102 million is being dedicated this fiscal year to the commitments that had been chronically under-funded or ignored altogether in the past.

Tomorrow, I will release the updated version of the City's Five-Year Financial Outlook, which will highlight the tremendous progress we have made.

I will recommend to the City Council that we dedicate an additional \$146 million next fiscal year so that we can continue to make the necessary repairs to our infrastructure and pay down our debt.

This plan will positively impact every San Diegan. Under my proposal, we will dedicate \$70 million next fiscal year alone so that we can continue improving our streets and storm drains throughout the City. This represents an increase of over 3,000% for these efforts since I took office.

But the financial outlook will also show that we will need to continue our reforms and our belt-tightening, and I will ask the City Council to continue to support me in exercising fiscal

discipline.

I have enjoyed a productive relationship with this City Council. Next year, four City Councilmembers will be ending their terms. Council President Scott Peters and Councilmembers Toni Atkins, Brian Maienschein and Jim Madaffer helped chart the course of constructive engagement that will define the relationship between the mayor and council for years to come.

All of the members of this City Council pioneered the transition to a strong-mayor form of government and worked with me to bring about the financial reforms needed to stabilize the City. Working cooperatively has produced great results for our City.

Please join me in thanking the City Council for their dedication to our community.

This year, our goal is to return San Diego to the public bond market—after four long years. The restoration of our credit – and our good name -- is critical. Access to the public bond market will help us finance repairs and upgrades to public facilities at the lowest cost to taxpayers. As I mentioned earlier, success on this and other fronts will require the cooperation of the City Council, the City Attorney and our City employees.

Labor

True financial stability requires us to carefully manage our personnel costs. This year, we will have the historic opportunity to negotiate with all five of our employee unions at the same time.

When I first became mayor, I relied on the advice of the City Attorney that previously awarded pension benefits could be taken away. I supported his litigation efforts to reverse these benefits. The courts have ruled decisively against the City Attorney.

It is disappointing that we cannot reverse many of our pension benefits but this is the hand that we've been dealt. I respect the courts' determination and feel that to act in disregard of these decisions would be unlawful.

A number of benefits were terminated in 2005. Because of the City Attorney's inaction, the termination of these benefits is now in dispute. Last year, I initiated litigation to resolve this matter and limit the taxpayers' liability.

While this case is pending in court, there are important and meaningful reforms that we can make.

During these upcoming negotiations, I will pursue major changes to the City's employee pension and healthcare systems, which will impact both current as well as future City employees.

Some of these changes may not be greeted enthusiastically by union representatives. But I ask them to consider the alternatives. Unless we work together to reduce City costs, the staff reductions we've made so far will be small compared to the reductions required in the future. I commit to work with you to find fair solutions for all.

All issues will be on the table. Specifically, I will propose that we get rid of the DROP program for current City employees who are not yet enrolled.

Additionally, one of the most important changes I will propose is a new pension system for new employees who are not sworn members of the police or fire departments – a pension system that limits taxpayers' liability. These changes alone could save taxpayers millions of dollars over the years.

Last year, we began to reform our healthcare system by reducing the number of insurance plans. This year, I will propose that we continue to reduce the number of plans and insurers which will save taxpayers' money.

Let me be clear. It's not our employees who failed us in the past. The failure was caused by City leaders who refused to address our challenges honestly and openly.

And I say to our employees: Our City is well-served by your dedication. While you often work without a great deal of public recognition, the devastating wildfires showed San Diegans what a tremendous job you do.

Please join me in acknowledging these dedicated men and women.

Chargers

Speaking of acknowledgments, let's hear it for the San Diego Chargers.

That was a great game last Sunday. And we're looking forward to a big win over the Colts this Sunday.

I hope the work now being done by the Chargers in the City of Chula Vista will produce positive results for our entire region. I have told Mayor Cheryl Cox that I support her efforts to keep the Chargers in our region.

Regional Economy

I see a powerful, positive vision for our City. A vision that is inclusive. A vision that honors the power and possibilities of our rich cultural and ethnic makeup. A vision focused on our long-term prosperity.

Our City is blessed with a growing number of cutting-edge industries that produce high-wage jobs and economic opportunity. Our challenge is that other regions want to recruit our companies away to strengthen their own economies. That's why I am co-chairing the San Diego Regional Economic Development Corporation's Partnership for the Global Economy.

Working collaboratively, we've charted a course that includes ensuring an educated workforce, building modern infrastructure and recruiting or growing whole new industries in our region.

Over the coming year, we'll continue that important work. I will never take our vibrant, healthy and diversified economy for granted.

I believe our economy will be helped by the expansion and creation of new ports of entry with Mexico. The expansion of San Ysidro, the busiest land port in the world, and the construction of a new commercial port of entry will ease the congestion that now impedes commerce between our two nations. We have already secured over \$100 million from the state government toward this effort.

In partnership with leaders in San Diego and Baja California, I will continue that important work this year to make these projects a reality.

And in recognition of the important ties between our two countries, here with us tonight are the new mayor of Tijuana, the honorable Jorge Ramos; the mayor of Ensenada, the honorable Pablo Alejo Lopez; and the mayor of Tecate, the honorable Donaldo Eduardo Penalosa. Please join in welcoming them.

I am pleased that my partner in advancing our binational priorities, the former governor of Baja California, the honorable Gene Elorduy, also joins us this evening. I look forward to working with his successor, Governor Jose Guadalupe Osuna Millan, as closely as I did with Governor Elorduy.

One of the economic sectors that has performed brilliantly for our City is tourism. San Diego ranks as one of the top five visitor destinations in the country. And each year, millions of visitors contribute over \$7 billion to our local economy.

Visitors come to enjoy our local beaches, parks and open spaces. They come to take part in our world-renowned cultural attractions. And they come to enjoy our sporting events like the Poinsettia and Holidays Bowls. This year, San Diego will proudly host the "Super Bowl" of golf: the U.S. Open which will be played at our spectacular Torrey Pines Golf Course in June.

A new cruise ship terminal will be built. And a growing hotel sector will help us welcome millions of visitors.

Our world-class convention center has been one of our best investments ever. As one example of its success, this June we will host the Bio-technology Industry's international conference and host 25,000 visitors. As we plan for the future, if we're to remain competitive with other convention cities who work constantly to take away our business, we'll need to grow in the next ten years.

That's why I will ask that we begin to work on plans to expand our beautiful and award-winning convention center.

Fire

Earlier I mentioned the devastating wildfires. Our hearts go out to those affected by the fires. To

those who lost their homes, I commit to you that I will do everything possible to help you rebuild.

Even as the fires raged, our community began its rebuilding efforts. The City immediately opened a local assistance center to help those in need, rapidly cleared away debris from burned out neighborhoods and established a process to help homeowners rebuild promptly. We will continue those efforts this year.

Crises often bring out the best in people. San Diegans from all walks of life responded to their neighbors' distress with open hearts and open wallets. As the national media recognized, our community cooperated with one another in ways seldom seen elsewhere. The impression the world took away from this tragedy was that we were a unified community intent not to let any series of events beat us.

I have never been prouder of our City employees than I was during the wildfires. Our police officers, firefighters, emergency medical personnel and other City employees did an extraordinary job of protecting our citizens and their possessions during this tragic disaster.

Please join me in saluting them all for their contributions.

Our police department evacuated and later re-populated affected areas with skill and efficiency. It comes as no surprise that this kind of professionalism has also accounted for a solid reduction in overall crime – I'll provide details in the next few days.

San Diego firefighters saved almost 6,000 homes in our City. Story after story speaks to the great compassion and wonderful acts of kindness they demonstrated.

One of our engine companies arrived at a home in Rancho Bernardo engulfed in flames. At great personal risk, the firefighters ran through the home saving all the family pictures and mementos. Another pair of firefighters discovered military service ribbons and medals at a home. They placed them outside -- out of harm's way -- and later reunited the sailor with his honors.

Those firefighters are with us this evening. They are representative of the hundreds of San Diego Fire-Rescue personnel who selflessly served our citizens. Ladies and gentlemen, please help me recognize, Firefighters Mitch Mendler and Carson Higgins.

Over the past two years, we have provided the Fire-Rescue department with increased funding for new vehicles, mobile computers to provide real-time data, and a state-of-the-art radio system that allows communication with other fire agencies. I have also requested funding for a second fire-rescue helicopter.

Following the fires, I asked City departments to assess our performance during the wildfires and make recommendations where we could improve. The City will shortly release its after-action report.

Wildfires in our region are a fact of life. But, by and large, they don't start in the City of San Diego. Therefore, protecting this region from the next major wildfire will require continued

cooperation between the cities and the county. I will continue to aggressively coordinate with other regional agencies so that we can better serve the City and our region.

One of the reasons our region responded so well was that for the first time in years, government leaders worked together seamlessly. I am proud of the way in which this City Council and I teamed to ensure that our citizens received the services they needed.

Similarly, I am proud of the way in which the City worked with the County for the benefit of the public. I believe that's what our citizens want – their elected leaders coming together to find solutions.

Please join me in acknowledging the entire San Diego County Board of Supervisors for the spirit of cooperation and collaboration they demonstrated.

I look forward to working closely with the Board's new chairman, Supervisor Greg Cox, in the year ahead. Greg, thank you for your willingness to meet monthly so that we can jointly address our region's challenges.

Chairman Cox demonstrated a special interest and commitment to restoring this theatre and for that we are extremely grateful. In fact, Chairman Cox will deliver his State of the County address from this very stage next month.

As we plan for the future, we know that we can do more. Tonight, I'm pleased to be joined by Supervisor Ron Roberts who chaired the Board of Supervisors during the wildfires.

The City, county and various fire agencies will be working to address the major organizational, equipment and facility challenges we face. Ron, please take a few minutes to explain where we're headed.

Text of Supervisor Ron Roberts Remarks:

Thank you, Mayor Sanders.

Just a few months ago, we were faced with one of the largest wildfires in California history, and our response was very different from four years ago.

Once again, we are indebted to the men and women from the many fine fire agencies from across the region who bravely fought these fires.

Since October, Mayor Sanders and I have met with numerous fire chiefs and other professionals to seek their recommendations.

The bottom line: while we certainly welcome help from the state and federal governments, more must be done locally.

While the wind was preventing others from flying on the first two days of the fire, your city and county helicopters were fighting non-stop. It should come as no surprise when I say that we need more aerial support under local command.

And while mutual aid from other regions was of great help, we also need more locally-based fire trucks and equipment.

While high-tech aerial surveillance systems were put into limited use during these most recent fires, we need to fully integrate these systems with our regional forces.

And while Calfire does a good job of fighting fires, we also need to look at creating a regional firefighting authority to direct firefighting efforts in San Diego County, and to represent us at the Southern California Multi-Agency Coordination Center in Riverside.

To help address these needs and to create a regional game plan, tonight Mayor Sanders and I are pleased to announce the formation of a multi-jurisdictional working committee.

This committee will include: County Supervisor Dianne Jacob; Poway Mayor Mickey Cafagna; Escondido Mayor Lori Holt-Pfeiler; Chula Vista Mayor Cheryl Cox; Chief Bill Metcalf of the North County Fire Protection District; San Diego Fire Chief Tracy Jarman; and Carlsbad Fire Chief Kevin Crawford.

The committee will be co-chaired by Mayor Sanders and myself, and it will identify our region's highest priority needs and investigate all possible funding options. This committee will deliver its recommendations to the citizens of our region no later than June 30 of this year.

While we welcome the state and federal efforts, it's time for us to take control and improve our capabilities. We live in a fire prone area and we must do everything possible to minimize the loss of life, property damage, and the widespread disruption caused by future wildfires.

End of Roberts' Remarks

The spirit of cooperation to address future wildfires provides an example that can be applied to many of our other challenges to ensure better and more efficient delivery of public services throughout this region. And it's just that kind of cooperation that I will pursue on every front as we work to rebuild the trust of our citizens in City government.

Any mention of the fires must also include a thank you to Governor Arnold Schwarzenegger for his efforts to get our region the resources that we needed.

I spoke just a few moments ago about the heroes that served our community during the wildfires. There is another class of heroes and they are the brave men and women of the U.S. military.

Every day across the world, they work to ensure our continued freedom. We are proud to be one of the most important military centers in the nation. Our history with the military goes back

more than a century. Here in San Diego, service members and their families are a vital part of our community fabric.

Our thoughts and prayers are with you and your loved ones as you continue to serve in conflicts overseas. On behalf of a grateful nation and a grateful city, I say thank you.

Water

Few issues are more important to California than a secure source of water.

Our region is located literally at the end of the state's water service pipeline. Eighty-five to ninety percent of our water supply is imported from either the Colorado River or through the state water project from Northern California. Notwithstanding recent rains, these imported water supplies are being threatened by historic drought.

And a recent federal court decision protecting an endangered species of fish in the Sacramento River Delta will result in a 12% reduction of water supply to our City.

San Diegans have responded well to calls for water conservation in the past. And tonight, I once again call on our City's residents to conserve water. One way to do that can be found right in our back yards by not over-watering. We need to remember that every drop we save this year will be a drop available in the year ahead should dry conditions persist. The time to conserve water is now. It is the responsibility of every San Diegan.

Some have suggested that we move to mandatory cuts right away, but taking such drastic action now is unnecessary and risks damaging our local economy. But there should also be no doubt that longer term solutions are required.

We owe ourselves and our children greater reliability. If moving water through the Delta is problematic, then we must move water around the Delta. That is why I will exercise the power of my office in support of a state water bond, which includes a way to transfer the water around the problem areas.

To this end, I am convening a summit of Southern California mayors next week to join forces. We must be a unified voice to let the Governor and the Legislature know we need a meaningful strategy that will include bringing water to our region. Unified, we will work for its success.

Our City will also continue to pursue diverse and affordable new sources of water for ourselves and the region. For example, this past year, I joined many elected officials to win approval for the Carlsbad Desalination plant.

This year, we will pursue another major regional project that will allow us to increase our local storage capacity and better manage our resources by tying together four major regional reservoirs, significantly increasing our storage capacity and our flexibility in utilizing these resources in times of drought.

Environment

There is no greater gift that we pass on to our children than our environment. As stewards of this precious resource, it's our responsibility to treat it responsibly and to protect it. And in the last two years, the City of San Diego has done its part.

Earlier this year, I proposed and the City Council approved a \$1.4 billion plan to improve our water and wastewater infrastructure so that we could reduce the number of water and sewage spills.

This past year also saw the passage of the City's first Recycling and Construction and Demolition Debris Ordinances, which will extend the useful life of our landfills and recycle millions more tons of material.

We've increased energy efficiency at city buildings and park facilities. We've restricted City vehicles, which previously ran for hours, from unnecessary idling. We've mandated that our purchases of equipment and supplies be environmentally friendly. And we're working to develop a promising new cleantech industry.

San Diego's environment is also enhanced and honored by our wonderful parks system, one of the largest in the United States. The jewel of this park system is Balboa Park. In just a few years, we will celebrate the 100th anniversary of the exposition that created Balboa Park. Later this month, I will launch a process to chart the future of this center of culture and recreation.

Conclusion

Almost 40 years ago, I arrived in San Diego to attend college. That's when I began my love affair with our city. I went on to get my first job here as a beat cop in the Northern Division, serving the communities of Linda Vista, Clairemont and the beaches. I met and married my wife Rana, and raised two wonderful children, Lisa and Jamie. San Diego has been good to me and to my family.

I was moved to run for Mayor because I could not stand on the sidelines and watch San Diego fall further into disrepair. Two years ago, many said the only way out of our financial crisis was to declare bankruptcy. Look how far we have come since then.

I asked you then, to join me on this journey. A journey to make our City once again deserving of your trust and pride. We have witnessed the great resilience, the great courage, the great kindness and generosity our San Diego community is capable of in the face of great odds during the October wildfires.

Our City -- just like this magnificent venue we enjoy tonight -- is a cherished institution that is being returned to its former luster. Together, we can make this vision a reality. That we are indeed America's Finest City.

It is time for us to take pride in what unites us, instead of dwelling on what divides us.

It is time for us to be inspired by what we can accomplish together instead of discouraged by things we think can't be done.

It is time to stop looking backward and instead start looking forward.

Tonight, I ask you to recommit yourselves to this journey that we began two years ago. I ask you to stand with me once again at another great moment in our city's history.

Stand with determination.

Stand with confidence.

Stand with strength.

WE CAN DO THIS.

Now, let's finish the job.

Thank you and good night.